

**FairPoint Cutover Monitoring
Status Report
The Liberty Consulting Group
December 15, 2008**

Introduction

Since the close on March 31, 2008 of the transaction through which FairPoint Communications Inc. (“FairPoint”) assumed ownership of the wireline business of Verizon Communications Inc. (“Verizon”) in northern New England, Verizon has continued to provide FairPoint access to Verizon’s operations support systems and other centralized services through a Transition Services Agreement (“TSA”). To replace the systems and processes Verizon is providing under the TSA, FairPoint’s systems vendor, Capgemini, has been developing and testing operations support systems and the software and processes for converting data extracted from the existing Verizon systems into the format required by the new FairPoint operations support systems. FairPoint has also been developing and testing business processes, and hiring and training personnel.

Given concerns about the potential customer impact of problems that might arise as part of the “cutover” from the Verizon to the FairPoint systems and processes, the staffs of the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, and the Vermont Department of Public Service (“Staffs”) engaged the Liberty Consulting Group (“Liberty”), beginning in October 2007, to monitor FairPoint’s progress in preparing to “cutover” from Verizon’s systems and processes and to provide an on-going assessment of FairPoint’s readiness to cutover. Liberty has provided monthly reports of the cutover status since December 2007. In addition, Liberty reviewed FairPoint’s proposed Cutover Readiness Verification Plan, which includes 28 specific criteria to demonstrate cutover readiness; in a report released on August 15, 2008, Liberty concurred with the Cutover Verification Plan and cutover criteria, after FairPoint made modifications based on Liberty’s recommendations.

The terms of the TSA require FairPoint to provide to Verizon an irrevocable notice of cutover readiness at least 60 days prior to the cutover date. In the most recent monthly report (dated November 12, 2008), Liberty noted that FairPoint planned to cutover at the end of January 2009, thereby requiring a cutover readiness notice by the end of November. In the November 12 monitoring report, Liberty concluded that FairPoint had satisfied the cutover readiness criteria in all areas except “CLEC testing” (*i.e.*, testing by competitive local exchange carriers (“CLECs”) and other wholesale carriers), key business process documentation, and training. Liberty believed that the status of business process development and training was sufficiently advanced to support a conclusion that the lack of complete satisfaction of these cutover readiness criteria did not constitute a significant impediment to FairPoint’s declaring cutover readiness. However, there was further work for FairPoint to complete in order to satisfy the CLEC testing cutover readiness criteria.

The Vermont Public Service Board held a Status Conference on November 14 in Montpelier, VT to allow public discussion of Liberty's November monitoring report, and the staffs of the Maine and New Hampshire Public Utilities Commissions held a workshop on November 17 in Kittery, ME for the same purpose. Based on this and other input, the Vermont Public Service Board, the Maine Public Utilities Commission, and the New Hampshire Public Utilities Commission ("Commissions") decided to hold hearings on November 21, 24, and 25, respectively, to determine whether the Commissions exercise their authority to prevent FairPoint from issuing a notice of readiness to cutover in January. After the hearings, none of the three Commissions prevented FairPoint from issuing its readiness notice, but all placed certain additional requirements on FairPoint. On November 28, FairPoint issued its irrevocable notice of cutover readiness for January. FairPoint informed Liberty that in response to FairPoint's notice, Verizon has set the precise date and time for the cutover at 11:59:59 P.M. on January 30, 2009.

The Commissions required continued monitoring by Liberty through cutover and for a period thereafter. During the hearings, Liberty committed to continue to provide monthly reports of FairPoint's cutover progress. The Commissions and Staffs also have included Liberty in monitoring FairPoint's compliance with several of the other Commission requirements. The current report provides Liberty's assessment of the status of these items. In particular, Liberty reports the status of the cutover readiness criteria that FairPoint had not fully satisfied by the time of Liberty's November report and Commission hearings:

- CLEC testing and related wholesale issues
- Business process documentation
- Training.

In addition, Liberty reports the status of the following items that were raised during the hearings:

- Verizon data extract validation
- Temporary staffing and provisioning intervals at cutover.

Finally, Liberty provides updates on the status of FairPoint's other preparations for cutover.

Overview of Recent Monitoring Activities

Since the last monitoring report issued November 12, 2008, Liberty answered questions during the November 14 Vermont Status Conference and November 17 Maine/New Hampshire workshop, and Liberty testified at Commissions' hearings on November 21 (Vermont), November 24 (Maine), and November 25 (New Hampshire). Liberty attended the November 19 FairPoint Wholesale User Forum via webex and monitored live CLEC testing of FairPoint's systems at various times during the weeks of November 10 and 17. Liberty continues to receive updates on cutover progress from FairPoint, and Liberty has communicated at least weekly with the Staffs.

Status of Remaining Cutover Readiness Criteria**1. CLEC Testing and Other Wholesale Issues.**

The status of CLEC testing was the subject of most of the testimony provided during the Commissions' hearings. Although some CLECs argued during the hearings that the CLEC testing should consist of full end-to-end system testing and allow for a full range of transaction scenarios, the intent of CLEC testing was more limited. FairPoint and Capgemini performed end-to-end testing of wholesale transactions internally. The purpose of CLEC testing is to test FairPoint's wholesale user interface to assure that the wholesale users can: (a) correctly transmit pre-ordering, ordering, and trouble administration transactions to FairPoint through the wholesale user interface, and (b) correctly receive and interpret responses and status messages from FairPoint through this interface. There are two methods through which wholesale users can submit and receive such transactions and messages: a web-based graphical user interface ("webGUI") and an electronic bonded approach, using, for pre-ordering and ordering, the Electronic Data Interchange ("EDI") protocol.

Liberty's November monitoring report noted some flaws in the testing environment Capgemini and FairPoint provided to the wholesale users for CLEC testing that hampered the most efficient conduct of this testing. Nevertheless, Liberty concluded that, combined with the internal testing, CLEC testing was sufficiently complete that there were no significant issues remaining for testing the webGUI. However, because FairPoint's and Capgemini's internal testing using EDI had been more limited, Liberty noted that more EDI testing needed to be completed. In addition, Liberty noted discrepancies in the reporting of the CLEC testing.

Liberty also noted two other open issues related to wholesale transactions. CLECs had expressed concerns about FairPoint's proposed hot cut coordination process, particularly for CLECs communicating with FairPoint using EDI. In addition, Liberty noted the incomplete status of testing the Daily Usage Feed ("DUF") files that all wholesale carriers, including CLECs, independent local exchange carriers ("ILECs"), interexchange carriers, and wireless carriers need for customer billing and intercarrier compensation. There are 92 such carriers for which FairPoint must provide DUF files.

Based on these and other considerations, Liberty noted five additional items for FairPoint to complete in order to satisfy the CLEC testing criteria:

1. Add and allow the CLECs to execute additional test cases that would provide coverage of the scenarios that are most important for EDI users
2. Internally test or provide a means for CLECs to test all forms of EDI response messages
3. Provide evidence to Liberty that the CLEC testing scenarios sufficiently mirror the historical range of wholesale transactions in the northern New England states

4. Modify its hot cut process to address the concerns raised by the CLECs, providing an acceptable workaround by cutover and a more permanent solution after cutover
5. Assure that all defects are correctly identified and have assigned fix dates or acceptable workarounds, including those associated with the DUF files.

Between the release date of Liberty's November report (November 12) and the first of the Commission hearings (November 21), FairPoint made progress on each of these five items. In particular:

1. Through mutual agreement with the two principal CLECs conducting EDI testing, FairPoint added seven additional test cases that represented the most important scenarios for these EDI users. By the time of the last hearing (November 25), all seven of these additional test cases had been executed and passed by at least one of these two CLECs.¹
2. FairPoint has provided an example of each of the relevant EDI response messages: reject notices, jeopardy notices, provisioning completion notices, and billing completion notices.² By the time of the last hearing (November 25), all these response messages had been successfully received and interpreted by the CLECs testing them. There remained a minor issue with one field of the billing completion notice that has subsequently been corrected.³
3. Liberty reviewed data provided by FairPoint on historical CLEC transactions⁴ and compared these with the CLEC testing scenarios provided to the wholesale users for testing. Liberty found that the CLEC testing scenarios provided a sufficient representation of these historical transactions.
4. FairPoint provided a description of an interim hot cut coordination process that it will institute before cutover, and Liberty found that this process addresses the concerns raised by the CLECs. FairPoint plans to introduce a permanent hot cut coordination process after cutover. Liberty intends to review this permanent process and the results of its testing when it is available.
5. Liberty monitored the open bridge used for seven sessions of CLEC testing during the weeks of November 10 and 17. Liberty concluded that FairPoint's report of the results of these testing sessions was accurate, including the identification of any defects resulting from the testing. In addition, by the time of the last hearing (November 25), FairPoint had fixed all identified outstanding defects from the CLEC testing, and all had either been successfully retested or were ready for retesting by the CLECs. However, the testing of DUF files was still in progress.

¹ In response to a requirement in the November 26 Vermont Public Service Board order, FairPoint filed an affidavit, dated December 1, that it had successfully passed the EDI-related tests that remained open at time of the Vermont hearing. This included one of the additional seven test cases (*i.e.*, the test of a parsed customer service record on a multi-line account).

² In the November monitoring report, Liberty also suggested that FairPoint also allow testing of design layout record responses. However, Liberty has subsequently found that neither Verizon nor FairPoint provide these response in EDI format.

³ FairPoint's affidavit filed with the Vermont Public Service Board and dated December 1 stated that FairPoint had successfully passed the billing completion notice.

⁴ FairPoint provided data it received from Verizon on transactions during 2006 in the three northern New England states.

FairPoint continued providing the opportunity for wholesale users to engage in CLEC testing through December 5. However, after the hearings, relatively few users chose to engage in the testing and none of the CLECs tested EDI transactions; most of the available testing windows were unused.

As of December 15, FairPoint had provided test DUF files to 90 of the 92 carriers requiring DUF files; many of these carriers had not yet provided FairPoint any indication as to whether they were able to read the files successfully, and FairPoint is escalating the request for responses within these companies. Based on the responses that FairPoint has received, a number of DUF issues remain to be resolved, although FairPoint classifies all of these issues as “minor.”

One thing that has slowed the ability of FairPoint to provide test DUF files for wholesale users has been FairPoint’s dependence on the dual polling of only a small number of switches for limited periods in order to create the files. This has limited FairPoint’s ability to find transactions for low-volume carriers and usage types. Since the time of the hearings, FairPoint has successfully negotiated with Verizon the ability to create DUF files using polled usage data from all the switches in the FairPoint northern New England network. On December 12, FairPoint set up a connection with Verizon to obtain this information electronically for the creation of test DUF files. This new process should facilitate the creation of additional test DUF files that might be needed for further DUF testing and problem resolution.

During the Commissions’ hearings, the CLECs raised other wholesale issues besides those specific to the CLEC testing and the other wholesale issues discussed above. The Commissions included the following additional issues in the additional cutover requirements:

- FairPoint must complete and implement a process for distributing line-loss data automatically (Vermont requirement). Some CLECs had criticized FairPoint for requiring them to use a FairPoint website to obtain line loss reports rather than automatically distributing (“pushing”) the reports to the CLECs, as Verizon currently does. Since the time of the hearings, FairPoint has informed Liberty that it has implemented this automated line loss report distribution process and will be testing it with the CLECs. Liberty has not yet seen any results from such testing.
- FairPoint must implement a process to resolve within five days any additional wholesale defects (for both EDI and webGUI transactions) that are uncovered during operations after cutover (Maine and New Hampshire requirements). Liberty understands that FairPoint has put plans in place to implement such a process.
- FairPoint must extend CLEC training intervals to ensure adequate training prior to cutover (New Hampshire requirement). Liberty has not seen any updates on this issue but intends to monitor the schedule for CLEC training before cutover.

The CLECs also raised issues about the extended provisioning intervals that FairPoint is projecting around the time of the cutover period and for a period beyond cutover.

Because this issue affects both retail and wholesale customers, Liberty addresses it below in a different section of the report.

2. Business Process Documentation.

In the November monitoring report, Liberty noted that although FairPoint had completed documentation of the key business processes, some of the documentation Liberty reviewed still had flaws. Thus, although Liberty could not conclude that FairPoint had yet fully satisfied the business process cutover criterion, this failure did not constitute an impediment to FairPoint's cutover readiness because FairPoint had implemented an internal review and improvement procedure for the business process documentation.

Liberty finds that since the time of the November monitoring report, FairPoint has continued to use the procedure implemented to review, correct, and update its key business process documentation. FairPoint made 136 changes to its key business process documentation in November and 42 changes in December through December 12. These changes include the documentation of new processes identified by FairPoint and modifications to processes previously documented. FairPoint has indicated that it will continue to make these process improvements through cutover and beyond and to provide weekly updates to Liberty of any changes made in the documentation.

3. Training.

In the November monitoring report, Liberty concluded FairPoint has not yet been able to demonstrate satisfaction of two of the four training criteria; in particular, FairPoint had not yet completed the training materials and had not provided any information on the proficiency of the students taking the courses. However, Liberty did not believe that this status represented a significant impediment to cutover readiness. Liberty noted that training necessarily occurs at the end of a long process involving system development, business process development, systems and business process testing and defect repair. Despite this handicap, Liberty observed that FairPoint has done a good job in its planning efforts for the training development and scheduling and Liberty felt that, based on these efforts, FairPoint should be able to complete adequate training of its employees by cutover.

According to the latest information Liberty has received from FairPoint, FairPoint has finalized the training material for 24 of 74 planned or completed training classes. FairPoint's progress in completing the remaining training material is generally consistent with the current training schedule; the material required for those classes scheduled to begin later in December is either 80 percent complete or greater, and the material for those classes scheduled to start in January are in earlier stages of development. For some of these 74 training classes, a single session of the class is sufficient to complete the training, but in other cases the training course will require multiple sessions of the same training material due to the large number of FairPoint employees who require that specific training. To date, FairPoint has scheduled a total of 392 training sessions for

these 74 classes, 43 of which appear to have been completed as of December 12. Liberty is waiting for information from FairPoint on student proficiency measures for those course sessions that have been completed.

Status of Other Matters Related to Cutover

1. Data Extract Validation.

The extraction of data from Verizon's systems and the conversion and placement of that data into the new FairPoint systems is a crucial component of the cutover process. FairPoint will be using Capgemini-developed routines to convert the data and load it into the new systems at cutover, and Capgemini has been engaged in an extensive regime of testing of these routines using trial data extracts obtained from Verizon. There have been three such trial data extracts to date, the most recent from September 2008. Verizon plans to provide another trial data extract during December.

The scope of Liberty's cutover monitoring engagement includes review of Capgemini's data conversion routines and data conversion testing, and such testing was one of the components of FairPoint's Cutover Readiness Verification Plan. As Liberty noted in the November monitoring report, FairPoint has successfully satisfied all the cutover criteria associated with data conversion. However, data conversion only addresses Capgemini's processing of the data once it has been extracted and transmitted to FairPoint by Verizon. The accuracy and completeness of the Verizon data extraction and transmission was outside the scope of Liberty's cutover monitoring engagement.

During the Vermont Public Service Board Status Conference and hearing, FairPoint noted that it has performed some testing internally to assess the completeness and accuracy of Verizon's data extracts. The November 26 Vermont Public Service Board order directed FairPoint to complete this analysis no later than December 12 and provide Liberty sufficient detail about the results of the analysis so that Liberty can form an opinion regarding the likely completeness and accuracy of the data extracts.

On December 10, FairPoint provided Liberty a description of the different methods it is using to test the completeness and accuracy of the Verizon data extracts. FairPoint also provided Liberty the results of some of these internal tests. Liberty reviewed this information and determined that it will need further information from FairPoint to complete its assessment. Liberty sent FairPoint a series of questions about the data extract testing on December 11 and, as of December 15, is waiting for a response to these questions.

2. Provisioning Intervals and Temporary Cutover Staffing.

There will be a period of several days after cutover during which the FairPoint systems will not be available to process service orders, while FairPoint and Capgemini are

converting the data received from Verizon and completing other transition steps necessary for the FairPoint systems to operate. FairPoint currently estimates that this period will last approximately five business days. To reduce problems associated with completing service orders still in process at the time of cutover, FairPoint has indicated that it will cease processing retail orders that are scheduled to complete within a period six days prior to the cutover date. FairPoint has requested that the CLECs voluntarily agree to an embargo on submitting wholesale orders within the same period. FairPoint will make its wholesale user interface available during the embargo period to allow the CLECs to queue their service requests, which will be processed once the FairPoint systems are operational after cutover. FairPoint has indicated that it is preparing to hire temporary employees and redeploy some existing employees during cutover in order to address unexpected issues that may arise as a result of cutover and to process the backlog of wholesale and retail orders that will build up during this period. Despite these measures, FairPoint projects that the provisioning intervals will be significantly lengthened during the cutover period and for several weeks after cutover.

During the Vermont Status Conference, the Maine/New Hampshire workshop, and Commissions' hearings, several parties raised concerns about the length of these provisioning intervals and their impact on retail and wholesale customers. All the Commissions included the issue of provisioning intervals among the requirements imposed on FairPoint. In their requirements, each of the three Commissions focused on somewhat different aspects of this matter, applied different remedies to it, and imposed different timeframes for addressing it.⁵ As part of its response to the Commissions' requirements, FairPoint has been providing an explanation and justification of these lengthened provisioning intervals and the adequacy of the temporary staffing levels during cutover. FairPoint provided initial information on this matter to the Vermont Department of Public Service during the week of December 1 and to Liberty and the staffs of the Maine and New Hampshire Public Utilities Commissions during a conference call on December 8. Liberty has reviewed this information and further data FairPoint provided to Liberty on December 11. Liberty replied to FairPoint on December 11, seeking answers to additional questions needed to assess the justification for FairPoint's projected intervals and staffing levels. As of December 15, Liberty is waiting for FairPoint's answers to these questions.

⁵ The Vermont Public Service Board in its November 26 order required FairPoint to return to normal provisioning intervals by March 16, 2009, and to provide credits to wholesale and retail customers if FairPoint misses certain measures of installation timeliness after March 16. In addition, the Board required FairPoint to file by January 9, 2009, "a listing of per-cutover wholesale and retail provisioning intervals, based on historical practice." These requirements would only go into effect "if FairPoint does not provide to the [Vermont Department of Public Service] detailed interval information that is reasonably satisfactory to the Department by December 5, 2008." The Maine Public Utilities Commission in its November 26 order required that "FairPoint meet with Staff and Liberty no later than December 10, 2008, to discuss staffing levels during and after cutover, as well as training issues, to ensure that FairPoint is taking all reasonable steps to minimize extended provisioning intervals after cutover." The New Hampshire Public Utilities Commission in its December 9 secretarial letter required FairPoint to "[w]ork with Commission Staff, to assure by December 19, 2008, that the provisioning intervals for both retail and wholesale service do not exceed a reasonable level after cutover as a result of backlogs or staffing."

3. Other Commission Requirements.

The Commissions applied some additional requirements on FairPoint:

- Completion of a communications plan about cutover for customers
- Explanation to the Staffs of differences between Verizon and FairPoint retail bills.

As of the date of this report, Liberty has not been directly involved in the review of FairPoint's compliance with these requirements.

4. Cutover Preparation.

In addition to the issues noted above, there are a number of important preparations for cutover that FairPoint must complete prior to the January 30 cutover date. These include such steps as the completion of scheduled systems changes, updates, and defect fixes; internal system regression testing of these system changes; setting up of the production systems; finalization of the methods and procedures to use during the cutover; and testing of the trial December data extract from Verizon. Another step that will occur during this period is the establishment for Maine of dual processing of customer data with the current Verizon and new FairPoint (Intrado) E911 Automatic Location Identification ("ALI") databases to assure that the transition of the E911 systems will operate properly at cutover. This will start on January 9.

FairPoint has begun dry runs of the cutover process to assure that it proceeds efficiently. In addition, FairPoint has developed a detailed cutover project plan and established a Cutover Mission Control Center ("CMCC"), which will operate out of Manchester, NH, and will coordinate and track all the activities during cutover. Liberty reviewed the plans for the CMCC during a conference call held on December 15, and finds that FairPoint's approach appears to be sound.

Summary

FairPoint provided its irrevocable notice of cutover readiness to Verizon on November 28, after the Commissions determined not to intervene to delay cutover. Verizon has responded by setting the cutover date and time at the end of January 30, 2009. The Commissions established certain requirements on FairPoint associated with cutover, and FairPoint has begun complying with these, although most were still incomplete as of the date of this report and the Staffs and Liberty were still waiting for additional information from FairPoint on several requirements that need to be met during December. In particular, Liberty's review of the status as of December 15 shows:

- CLEC testing is successfully complete but DUF testing is still underway
- Compliance with other wholesale requirements, including the completion of the permanent hot cut communications process, pushing of line loss reports, and provision of adequate CLEC training is still in progress
- Completion of key business process documentation is proceeding well

- FairPoint continues to schedule and conduct training sessions for its staff and so far is completing the training materials in time to meet the training schedule; the effectiveness of the training remains to be determined
- Explanation of FairPoint's analysis of the completeness and accuracy of the Verizon data extracts is still in progress
- Justification of FairPoint's projected provisioning intervals and temporary staffing levels is still incomplete.

In addition, Liberty has reviewed the other preparations that FairPoint is making for cutover, including the establishment of a project plan and cutover command and control center, and finds these preparations to be adequate at this point.